

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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In the Matter of )  
 )  
GTE Corporation, Transferor )  
and Bell Atlantic Corporation, )  
Transferee, for Consent )  
to Transfer of Control )

CC Docket No. 98-184

Comments of  
Communications Workers of America

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## **Introduction**

The Communications Workers of America (CWA) represents 630,000 workers who are also consumers of telecommunications services. The majority of CWA members are employed in the telecommunications industry, including 72,000 employees at Bell Atlantic and 25,000 employees at GTE. CWA is the leading union in the information age whose members are responsible for building, maintaining, and servicing customers on the information highway. CWA seeks to ensure that the new information world brings benefits to all consumers, workers, and communities.

CWA urges the Commission to approve the Bell Atlantic and GTE merger because it will benefit both consumers and workers. CWA believes the merger is in the public interest for five reasons. First, it advances the pro-competitive goals of the 1996 Telecommunications Act ("the 1996 Act") in local exchange markets for all consumer markets. Bell Atlantic and GTE have committed to enter 21 markets out-of-region within 18 months after the merger. Second, the proposed merger advances the 1996 Act's goal to speed deployment of advanced telecommunications networks to all Americans. The merger will provide Bell Atlantic and GTE with the scale and scope necessary to accelerate in-region and out-of-region investment in advanced data networks. Third, the merger is consistent with the 1996 Act's goal to advance and to preserve affordable, quality service to all Americans. Fourth, the merger will stimulate the growth of high-quality new jobs as a result of the new investment that the merged company will

create in entering new markets as well as in deploying new technologies and services. Finally, the merger will enhance competition in the wireless and international markets.

For these reasons, CWA supports the merger of Bell Atlantic and GTE and urges rapid approval by the Federal Communications Commission.

**I. The Proposed Merger is in the Public Interest Because it Will Promote Competition in the Local Exchange for all Classes of Customers**

The merger of Bell Atlantic and GTE will enable the combined company to speed the realization of the pro-competitive goals of the Telecommunications Act of 1996 in the local exchange market.<sup>1</sup> Until now, new entrants in the local exchange market have focused infrastructure investment on facilities capable of serving large business customers; new entrants are not competing in the mass market. In contrast, a merged Bell Atlantic-GTE will have the resources, skilled employees, technology, customers, and product/service base to enter and to compete with other incumbent local exchange carriers across the country.

Bell Atlantic and GTE have announced that the merged companies will enter and compete in 21 new markets within 18 months of merger closure, including the population centers of Los Angeles, San Francisco, San Diego, Dallas, Houston, Austin, San Antonio, Chicago, Cleveland,

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<sup>1</sup> Telecommunications Act of 1996, P.L. 104-104, 100 Stat. 56 (1996), preamble (" *Telecommunications Act of 1996* ).

Cincinnati, Indianapolis, Detroit, Miami, Orlando, Jacksonville, Raleigh, Nashville, Memphis, Louisville, Seattle, and Portland.<sup>2</sup> They will use GTE's presence and brand recognition in these metropolitan areas as a springboard to compete throughout these 21 metropolitan areas. This represents an important advance toward local service competition on a nationwide basis.

Importantly, a merged Bell Atlantic - GTE will enter these new markets with the capabilities and commitment to compete for all consumers segments. Unlike other new entrants that have shown a disregard for providing services to the mass market, a merged Bell Atlantic-GTE brings the experience, expertise, skilled workers, and name brand needed to raise the capital to build facilities to compete to provide services to all classes of consumers in these 21 out-of-region markets.

Bell Atlantic and GTE have projected \$2.5 billion in merger-related cost savings and \$2.0 billion in revenue improvements within three years after the closing of the merger.<sup>3</sup> These merger-related efficiency savings and revenue enhancements will provide capital that each company would not have had as separate entities to finance capital investments and on-going operating costs needed for facilities-based entry in these 21 out-of-region markets.

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<sup>2</sup> Applicants' Public Interest Statement (Oct. 2, 1998), 6-7 (*"Public Interest Statement"*).

<sup>3</sup> *Public Interest Statement*, 21-22; Aff. of Doreen Toben, 1-2. (*"Toben Aff."*).

## **II. The Proposed Merger will Provide Bell Atlantic-GTE with the Scale and Scope Necessary to Accelerate Deployment of Advanced Telecommunications Networks and Services**

The proposed merger will also contribute to the realization of the goals of the 1996 Telecommunications Act to speed “deployment of...advanced telecommunications capability to all Americans.”<sup>4</sup>

The proposed merger recognizes and reflects the new information and telecommunications paradigm. The rapid consolidation of the telecommunications/information industry is driven by the need for carriers to realize the economies of scale and scope necessary to make the huge capital and human resource investments in next-generation advanced data networks capable of providing consumers with a package of bundled voice, data, and video products and services.

According to one leading telecommunications industry analyst, this consolidation is driven by the nature of digital technology, and is itself a rationalizing process to overcome the artificial market barriers between local and long distance telephony, as well as voice, video, and data transmission that are a legacy of regulatory regimes. As this expert explains:

...Digitization is a technical phenomenon that is widely seen as contributing both to the convergence of telecommunications delivery modes and to large increases in scope economies...Economies of scale and scope naturally drive leading firms in the telecommunications sector to pursue both vertical integration and across-market

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<sup>4</sup> *Telecommunications Act of 1996*, § 706(a). See also *Telecommunications Act of 1996*, preamble.

consolidation strategies. This effort is, in many ways, a rationalization process, restructuring an industry partitioned along regulatory, rather than market, dictates.<sup>5</sup>

This rationalization process, according to this economist, will have the impact, not of "protecting monopoly turf," but instead of providing the scale and scope economies necessary to "facilitate entry and intensify competition," among service providers, thereby "lowering prices for consumers."<sup>6</sup> Therefore, it is in the public interest to create large competitors with the size and scope to compete effectively.

Absent this merger, Bell Atlantic and GTE will be at a competitive disadvantage in competing in this new telecommunications/information industry paradigm, particularly since Bell Atlantic and GTE retain costly carrier-of-last resort obligations and other regulatory obligations that competing global carriers such as MCI-WorldCom do not have. (See Section III below.)

Furthermore, the merger of Bell Atlantic and GTE will help to ensure that the Internet backbone market remains competitive by increasing the number of top-tier Internet backbone service providers. As the Commission recognized in the *WorldCom-MCI* proceeding, the ideal model for a competitive and open Internet backbone market is the existence of several large and competing Internet backbone providers, with no one backbone so dominating connection that it can set the price and terms for interconnection at anti-competitive levels.

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<sup>5</sup> Affidavit of Dr. Thomas W. Hazlett, 6-7.

<sup>6</sup> *Id.*, 7.

Currently three large Internet/data networks exist--MCI WorldCom, Cable & Wireless (with the acquisition of MCI's Internet backbone), and Sprint, with GTE Internetworking fourth but significantly smaller, and AT&T quickly developing a large backbone. The merger of GTE's Internet backbone with Bell Atlantic's strong customer base provides for the combined company to establish itself as a solid top-tier backbone provider offering Internet backbone services, as well as an array of numerous other data/Internet services, ensuring that competition will continue to drive innovation and price reduction on the Internet.

### **III. The Proposed Merger will Protect and Advance Universal Service**

GTE and Bell Atlantic acknowledge that one of the driving forces in this merger is the need to achieve a national presence with an advanced data network capable of serving multi-location large business customers. Absent this capability, Bell Atlantic will suffer significant revenue loss as its largest accounts, which generate a disproportionate share of revenues, migrate to competitive carriers that are not subject to regulatory geographic barriers and costly carrier-of-last resort obligations. Not only do Bell Atlantic and GTE need to merge to continue to thrive and to compete with other global telecommunications companies, but also in order to have sufficient capital for continuous investment in the public switched network to ensure preservation and advancement of affordable, quality service for all Americans.<sup>7</sup>

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<sup>7</sup> In the *MCI-WorldCom Order*, the Commission acknowledged in approving that merger-related efficiencies "will allow them [MCI and WorldCom] to service multi-location customers over their own networks, and that this will enable such customers to receive higher quality and more reliable services than each company is currently able to offer separately." In the Matter of Applications of WorldCom, Inc. and MCI Communications Corporation for Transfer of Control of MCI Communications Corporation to worldCom, Inc. *Memorandum Opinion*

Bell Atlantic and GTE together have carrier-of-last resort obligations (imposed by state regulators) to serve 61.2 million customers. Absent the merger, Bell Atlantic and GTE are likely to respond to the loss of significant large business revenue streams with pressure to raise local rates, reduce investment in network maintenance and upgrading, or both. Either option would undermine realization of the goals of the 1996 Act to preserve and to advance universal service. Ironically, absent a merger which would allow GTE and Bell Atlantic to compete effectively for large business customers with advanced data networks, the likely impact will be a steady deterioration in quality and affordability of service to residential consumers and small business customers.

The rapid consolidation of the telecommunications/information industry presents the Commission with a stark choice as it seeks to preserve and to advance universal service in the context of industry consolidation. Recognizing the reality of the new telecommunications market that "will evolve to the point where there are six or so fully-integrated players,"<sup>8</sup> the Commission must ensure that all carriers have the ability to compete on a level playing field for lucrative multi-location large business customers, which in turn will generate increased revenues for investment in the public switched network. By enhancing competition and promoting investment in all market segments, the Bell Atlantic-GTE merger promotes the goals of the 1996 Act to preserve and to advance universal service.

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*and Order*, CC Docket No. 97-211 (Sept. 14, 1998), 199 ("MCI-WorldCom Order").

<sup>8</sup> Jack Grubman, Salomon Smith Barney analyst, quotes in *Public Interest Statement*, 12.

#### **IV. The Proposed Merger will Stimulate the Growth of High-Quality Jobs in the Telecommunications/Information Industry**

The proposed merger will also stimulate the growth of good jobs in the telecommunications/information technology industry.<sup>9</sup> As noted above, Bell Atlantic and GTE have committed to enter 21 new markets within 18 months of completion of the merger. These efforts will require substantial investment and the work of skilled employees to market, operate, maintain and manage these new facilities. To date, the Applicants have estimated that their merger will create some \$2 billion in new revenue.<sup>10</sup> The emphasis on job-growth and business expansion in this merger contrasts with so many other recent mergers, which focus on cutting costs and firing workers.

While approving the proposed Bell Atlantic-GTE would be good for employees, rejecting the merger would likewise be harmful to employees. As we already discussed, a stand-alone Bell Atlantic will be at a competitive disadvantage in competing to retain its large business customers who contribute a disproportionate share of corporate revenue. The loss of these customers would have a serious negative impact on employment at Bell Atlantic and GTE.

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<sup>9</sup> In the *MCI-WorldCom Order*, the Commission made clear that the impact of a merger upon employment falls within its public interest test. *MCI-WorldCom Order*, 193.

<sup>10</sup> *Public Interest Statement*, 21-22; *Tobeen Aff.*, 1-2. In contrast, in the most recent merger review, MCI and WorldCom provided to the Commission no projections of revenue synergies (e.g. growth) that would result from the merger.

Furthermore, the jobs created and preserved by the proposed Bell Atlantic-GTE merger are not just any jobs. They are (and will be) good jobs — jobs that pay workers enough to support a family, jobs with an employer that values and invests in its workforce.

Unlike some carriers, Bell Atlantic and GTE recognize that having a stable, high-quality workforce is a key contributor to success and to providing quality customer service. As the largest union representing employees at Bell Atlantic (the surviving corporate entity), CWA can attest that Bell Atlantic has positive and progressive relationships with their employees and with CWA.

Bell Atlantic understands the value that organization and representation brings to network reliability and to customer service not only on today's voice network, but on the data network as well. As an example, this past summer CWA and Bell Atlantic signed a new contract that ensures that employees building, operating, maintaining and providing customer service in new businesses such as the Internet will be Union-represented employees. In a post-merger environment, the partnership between a merged Bell Atlantic-GTE and the Union will ensure that today's high standards of service delivered by experienced, well-compensated employees and good labor relations will carry over to the advanced data network of the merged entity as well.

The recently negotiated CWA agreement with Bell Atlantic includes fair wage and benefit increases, in line with the financial success and gains in productivity that our members have brought to each company. In contrast, many new telecommunications companies fail to provide

good wages and benefits to their employees. Non-union telecommunications companies' wages and benefits trail those of union carriers' by 10 to 33 percent.<sup>11</sup>

Bell Atlantic and GTE lack sufficient skilled personnel to enter the 21 out-of-region markets alone. The combination of the two companies is necessary to provide not only the managerial expertise, but also the expertise of trained technicians, customer service representatives, and operators to compete effectively in new markets with a bundled package of services. CWA expects that the Bell Atlantic-GTE merger will continue and expand Bell Atlantic's progressive attitudes towards its combined workforce.

## **V. The Merger Enables the Combined Bell Atlantic-GTE to Compete in the Increasingly Competitive International and Wireless Telecommunications Markets**

### **A. International Markets**

Technological advances and deregulation of the international telecommunications market have significantly changed and increased international telecommunications competition. According to World Trade Organization statistics, 38 countries are deregulating local and long distance service, with 51 additional countries deregulating mobile services by the year 2003. In addition, technological advances have greatly reduced impediments to competition created by geographic distances.

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<sup>11</sup> CWA, *Prospects for Employment in Competitive Local Telephone Markets*, March 1997, 4.

These technological advances coupled with expanded liberalization of foreign telecommunications markets have already increased international competition in the U.S. market, as well as the competition U.S. telecommunications/information companies face globally.

CWA believes strongly that American telecommunications/information companies and their workers have a vital role to play in the information age, and that we must work to ensure America's place in the competitive global telecom/information market. The merger of Bell Atlantic and GTE will greatly strengthen the combined companies' ability to compete in this increasingly competitive international telecommunications/information arena, providing it with the necessary resources, array of advanced services, national and international market reach, and skilled employee base.

## **B. Wireless Markets**

With a few exceptions, Bell Atlantic and GTE wireless markets are complementary.<sup>12</sup> The wireless market is fast becoming a national market, with carriers merging to create a national presence and marketing one-rate national wireless packages. As the Commission noted in its *Third Annual CMRS Competition Report*, increased competitiveness in the wireless market has been the result of industry consolidation which "appears to be part of the process of efficiently re-allocating resources and developing efficient competitive markets because the consolidation

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<sup>12</sup> *Public Interest Statement*, 20. Bell Atlantic and GTE have committed to divest their overlapping wireless properties. *Id.*

has been largely across markets and not within markets.”<sup>13</sup> A merged Bell Atlantic-GTE wireless carrier will be a strengthened national wireless carrier, increasing its ability to compete with other consolidating, national wireless carriers, thereby increasing consumer welfare by further driving down prices while increasing investment in the wireless market.

## **VI. Conclusion**

The Commission should approve the Bell Atlantic-GTE merger because the combined company will help to fulfill and speed the competitive and consumer benefits envisioned by the Telecommunications Act of 1996.

It will create a viable new competitor with the ability to compete in new markets across the country to bring all classes of customers new choices in local, long distance, data/Internet, and wireless services, as well as speed the deployment of advanced data and other telecommunications services. Importantly, a combined Bell Atlantic-GTE will have the experience, ability, and workforce to enhance competition for the broader mass market and all classes of consumers. The merger also will enable Bell Atlantic-GTE and its American workers to compete successfully in the global telecom/information market.

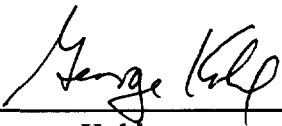
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<sup>13</sup> In the Matter of Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Radio Services, FCC 98-91 (adopted May 14, 1998; rel. June 11, 1998), 5.

Additionally, the merger of Bell Atlantic and GTE will help to preserve and advance universal service to ensure that all Americans have access to basic telephone service at affordable rates.

Respectfully Submitted,

Communications Workers of America

By   
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Dated: November 23, 1998

CERTIFICATE OF SERVICE

This is to certify that I have duly served these comments upon these parties by depositing copies of same in the United States mail, addressed as follows:



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